

# Movie Games S.A.

Price target: PLN 21.10

Update

Rating: SELL

So far in 2022, Movie Games S.A. (MOV) has only released two full games despite a pipeline of 11 titles for the whole year. Both have had rather weak sales so far. While "Lust from Beyond: M-Edition" has an average rating of 72/100 from only 68 reviewers on steampowered.com, in case of "Fire Commander" it is 55/100 from 52 reviewers. "Mythbusters", which was due on June 8, was postponed but no new release date was given. "Frankie's Revenge" has not been published at all so far. In case of "Alaskan Truck Simulator", the demo has so far received on average positive reviews, but we have our doubts whether MOV's subsidiary Road Studio S.A. will publish it on December 6 as planned. Also, given MOV's track record so far this year, we are not sure whether the sequel of "Drug Dealer Simulator" will be published as announced, which together with "Mythbusters" weights most in our financial model. We have lowered our estimates for 2022E and beyond and have also updated our peer group, which results in a new 12-months PT (80% DCF, 20% peer group) of PLN 21.10 (previously: PLN 47.50). This implies a downside of 16.9% at present and a SELL rating (previously: BUY). In our opinion, the visibility when it comes to MOV's results and upcoming releases is very limited.

**We believe that Q2/22 results, which are due on August 12, will be similarly weak as Q1** For full-year 2022E, we now forecast revenues of PLN 16.6m (+1.4% y-o-y; previously: PLN 43.8m) and an EBITDA of PLN 5.7m (+369.6% y-o-y; previously: PLN 15.8m).

in PLNm	2020	2021	2022E	2023E	2024E	2025E
Net sales	10.89	16.41	16.63	18.23	19.98	21.90
EBITDA	4.10	1.22	5.71	5.35	4.87	5.17
EBIT	4.08	1.17	5.65	5.29	4.79	5.09
Net income	8.99	12.33	15.26	11.12	8.49	6.91
EPS	3.49	4.79	5.93	4.32	3.30	2.69
DPS	0.00	1.00	1.19	0.86	0.66	0.54
Dividend yield	0.00%	3.94%	4.67%	3.40%	2.60%	2.12%
RoE	81.42%	57.20%	44.43%	24.86%	16.37%	12.00%
Net gearing	-58.60%	-34.41%	-59.07%	-64.35%	-65.85%	-68.99%
EV/Sales	6.67x	4.42x	4.36x	3.98x	3.63x	3.31x
EV/EBITDA	17.69x	59.64x	12.70x	13.56x	14.91x	14.05x
P/E	7.27x	5.30x	4.28x	5.88x	7.69x	9.45x

## Company profile

Movie Games S.A. is a Warsaw-based video games developer and publisher.

Date of publication	29 July 2022 / 9:20 am
Website	www.moviegames.pl
Sector	Video Games
Country	Poland
ISIN	PLMVGMS00011
Reuters	MOV.WA
Bloomberg	MOV.PW

## Share information

Last price	25.40
Number of shares (m)	2.57
Market cap. (PLNm)	65.36
Market cap. (EURm)	13.62
52-weeks range	PLN 73.46 / PLN 24.15
Average volume	1,424

## Performance

4-weeks	-2.31%
13-weeks	-25.29%
26-weeks	-43.92%
52-weeks	-57.48%
YTD	-49.80%

## Shareholder structure

PlayWay S.A.	33.43%
Mateusz Wczesniak (CEO)	19.79%
Jakub Trzebinski	7.66%
Free float	39.12%

## Financial calendar

H1/22 report	August 12, 2022
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## Analyst

Adrian Kowollik  
a.kowollik@eastvalueresearch.com

## Financial forecasts

### Revenues and Profitability

Compared to our last update, we have slashed our assumptions for sales of the different games in 2022E.

Our current revenue model for the Movie Games Group is based on the following assumptions:

- 1) Detailed estimates for games have only been made for 2022E.
- 2) Average price per unit of USD 19.99/game in the release year and USD 16.79 in the next year.
- 3) Average PLN-USD FX rate of 4.20 in 2022E, which declines to 3.90 in the long run.
- 4) Average share of revenues from the online distribution platforms steampowered.com and of the main console producers that MOV receives: 70%.
- 5) Average share of revenues from games of MOV's subsidiaries, for which MOV always acts as publisher: 10%.
- 6) For the period beyond 2022E, where visibility related to game releases is small, we have assumed that sales will grow in-line with the average CAGR for the global gaming sector: 9.6% (Source: latest market research by Reportlinker from January 2022).

Our sales model for 2022E is based on the following games:

1. Additional content and Nintendo Switch version of *"Drug Dealer Simulator"* (has already been published)
2. Release of *"Drug Dealer Simulator 2"* by *Movie Games* (planned in 2022E but no exact release date has been provided yet)
3. *"Alaskan Truck Simulator"* by subsidiary *Road Studio* (release scheduled for December 6, 2022)
4. *"Fire Commander"* by subsidiary *Pixel Crow Studio* (release on July 27, 2022; average rating of 55/100 so far)
5. *"Mythbusters"* by *Movie Games* (release for PC on June 8 according to steampowered.com and for consoles in September 2022; has been postponed but no new release date has been provided)
6. *"Winter Survival Simulator"* by *DRAGO entertainment* (release scheduled for October 27, 2022)

7. 120k copies sold of other new games e.g.

-> "Lust from Beyond – M Edition" by Movie Games that was released in Q1/22 (average rating on steampowered.com 72/100; our estimate: sales so far c. 10,000 copies)

-> "Food Truck Empire"(no exact release date)

-> "Nightclub Manager: Violet Vibe" (no exact release date) by True Games Syndicate

-> "Frankie's Revenge" by Mill Games and Rikodu (no information on exact release date)

-> „Food Truck Simulator“ by DRAGO entertainment (release scheduled for 14/09/2022)

in PLNm	2022E
<b>Drug Dealer Simulator 1</b>	<b>2.47</b>
Share in total sales	14.8%
Price per unit (USD)	16.79
PLN-USD FX rate	4.20
Price per unit (PLN)	70.52
Number of copies sold	50,000
Share of revenues for MOV	70.0%
<b>Drug Dealer Simulator 2</b>	<b>5.88</b>
Share in total sales	35.3%
Price per unit (USD)	19.99
PLN-USD FX rate	4.20
Price per unit (PLN)	84
Number of copies sold	100,000
Share of revenues for MOV	70.0%
<b>Gas Station Simulator (PC)</b>	<b>1.23</b>
Share in total sales	7.4%
Price per unit (USD)	16.79
PLN-USD FX rate	4.20
Price per unit (PLN)	70.52
Number of copies sold	250,000
Share of revenues for DRAGO	70.0%
Share of revenues for MOV	10.0%
<b>Alaskan Truck Simulator (PC)</b>	<b>0.00</b>
Share in total sales	0.0%
Price per unit (USD)	19.99
PLN-USD FX rate	4.20
Price per unit (PLN)	83.96
Number of copies sold	0
Share of revenues for Road Studio	70.0%
Share of revenues for MOV	10.0%
<b>Fire Commander (PC)</b>	<b>0.59</b>
Share in total sales	3.5%
Price per unit (USD)	19.99
PLN-USD FX rate	4.20
Price per unit (PLN)	83.96
Number of copies sold	100,000
Share of revenues for Pixel Crow	70.0%
Share of revenues for MOV	10.0%
<b>Mythbusters (PC)</b>	<b>2.35</b>
Share in total sales	14.1%
Price per unit (USD)	19.99
PLN-USD FX rate	4.20
Price per unit (PLN)	83.96
Number of copies sold	40,000
Share of revenues for MOV	70.0%
<b>Winter Survival Simulator (PC)</b>	<b>1.18</b>
Share in total sales	7.1%
Price per unit (USD)	19.99
PLN-USD FX rate	4.20
Price per unit (PLN)	83.96
Number of copies sold	200,000
Share of revenues for Road Studio	70.0%
Share of revenues for MOV	10.0%
<b>Other games</b>	<b>2.94</b>
Share in total sales	17.7%
Price per unit (USD)	19.99
PLN-USD FX rate	4.20
Price per unit (PLN)	83.96
Number of copies sold	50,000
Share of revenues for MOV	70.0%
<b>Total net sales</b>	<b>16.63</b>
(change y-o-y)	1.4%

Source: East Value Research GmbH

	2022E		2023E		2024E		2025E	
in PLNm	new	old	new	old	new	old	new	old
<b>Net sales</b>	<b>16.63</b>	<b>43.81</b>	<b>18.23</b>	<b>48.02</b>	<b>19.98</b>	<b>52.63</b>	<b>21.90</b>	<b>57.68</b>
<b>EBITDA</b>	<b>5.71</b>	<b>15.83</b>	<b>5.35</b>	<b>14.95</b>	<b>4.87</b>	<b>13.75</b>	<b>5.17</b>	<b>14.64</b>
<i>EBITDA margin</i>	<i>34.4%</i>	<i>36.1%</i>	<i>29.4%</i>	<i>31.1%</i>	<i>24.4%</i>	<i>26.1%</i>	<i>23.6%</i>	<i>25.4%</i>
<b>EBIT</b>	<b>5.65</b>	<b>15.77</b>	<b>5.29</b>	<b>14.89</b>	<b>4.79</b>	<b>13.68</b>	<b>5.09</b>	<b>14.56</b>
<i>EBIT margin</i>	<i>34.0%</i>	<i>36.0%</i>	<i>29.0%</i>	<i>31.0%</i>	<i>24.0%</i>	<i>26.0%</i>	<i>23.3%</i>	<i>25.2%</i>
<b>Net income</b>	<b>15.26</b>	<b>23.46</b>	<b>11.12</b>	<b>18.89</b>	<b>8.49</b>	<b>15.69</b>	<b>6.91</b>	<b>14.59</b>
<i>Net margin</i>	<i>91.8%</i>	<i>53.5%</i>	<i>61.0%</i>	<i>39.3%</i>	<i>42.5%</i>	<i>29.8%</i>	<i>31.6%</i>	<i>25.3%</i>

Source: East Value Research GmbH

in PLNm	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21	Q3/21	Q4/21	2021	Q1/22
<b>Net sales</b>	<b>0.82</b>	<b>6.14</b>	<b>0.67</b>	<b>3.26</b>	<b>10.89</b>	<b>2.79</b>	<b>2.99</b>	<b>3.80</b>	<b>6.83</b>	<b>16.41</b>	<b>1.66</b>
<i>y-o-y change</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>142.9%</i>	<i>240.6%</i>	<i>-51.4%</i>	<i>468.0%</i>	<i>109.7%</i>	<i>50.7%</i>	<i>-40.7%</i>
<b>EBITDA</b>	<b>0.14</b>	<b>4.93</b>	<b>-1.21</b>	<b>0.24</b>	<b>4.10</b>	<b>0.15</b>	<b>0.45</b>	<b>0.86</b>	<b>-0.24</b>	<b>1.22</b>	<b>-0.71</b>
<i>EBITDA margin</i>	<i>17.1%</i>	<i>80.3%</i>	<i>-181.3%</i>	<i>7.4%</i>	<i>37.7%</i>	<i>5.5%</i>	<i>15.0%</i>	<i>22.6%</i>	<i>-3.6%</i>	<i>7.4%</i>	<i>-42.8%</i>
<b>EBIT</b>	<b>0.14</b>	<b>4.93</b>	<b>-1.22</b>	<b>0.23</b>	<b>4.08</b>	<b>0.14</b>	<b>0.42</b>	<b>0.86</b>	<b>-0.25</b>	<b>1.17</b>	<b>-0.85</b>
<i>EBIT margin</i>	<i>16.6%</i>	<i>80.3%</i>	<i>-181.9%</i>	<i>7.1%</i>	<i>37.5%</i>	<i>4.9%</i>	<i>14.2%</i>	<i>22.6%</i>	<i>-3.7%</i>	<i>7.1%</i>	<i>-51.2%</i>
<b>Net income</b>	<b>0.13</b>	<b>3.90</b>	<b>-0.81</b>	<b>5.77</b>	<b>8.99</b>	<b>5.84</b>	<b>0.36</b>	<b>6.49</b>	<b>-0.35</b>	<b>12.33</b>	<b>13.32</b>
<i>Net margin</i>	<i>16.0%</i>	<i>63.5%</i>	<i>-121.2%</i>	<i>177.2%</i>	<i>82.6%</i>	<i>209.2%</i>	<i>11.9%</i>	<i>170.7%</i>	<i>-5.2%</i>	<i>75.2%</i>	<i>804.1%</i>

Source: Company information, East Value Research GmbH

### CAPEX and Working capital

We now believe that MOV's gross CAPEX will reach 0.4% of total yearly sales in 2022E and 0.8%-0.9% afterwards. Regarding working capital, we believe that its share in total sales will decline from 128.1% in 2021 to c. 40% in the long run. For the cash conversion cycle, our expectation is that it will go down from 376 days last year to 60 days.

## Valuation

We have valued Movie Games by using a weighted average of our DCF model (80%) and peer group (20%). With lower estimates, peer-group-based FV and WACC than in May (12.3% vs. 12.7%), our approach derives a 12-months price target for the stock of PLN 21.10 (previously: PLN 47.50). Given a downside of 16.9% at current level, we lower our rating from BUY to SELL.

Below are the key assumptions of our WACC calculation:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 5.97% (Source: www.boerse-stuttgart.de)
- (2) *Beta*: Average 4-year unlevered beta of companies from the Entertainment sector of 1.25x
- (3) *Equity risk premium (Poland)*: 5.08% (Source: www.damodaran.com)
- (4) *Target equity ratio*: 100%
- (5) *WACC = Equity costs*: 12.3%
- (6) *Sales growth in the terminal period*: 2%
- (7) Free cash flows and residual values are discounted to July 29, 2022

## DCF model

in PLNm	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Net sales</b>	<b>16.63</b>	<b>18.23</b>	<b>19.98</b>	<b>21.90</b>	<b>24.00</b>	<b>26.30</b>	<b>28.83</b>	<b>31.59</b>	<b>34.63</b>
(y-o-y change)	1.4%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%
<b>Operating profit</b>	<b>5.65</b>	<b>5.29</b>	<b>4.79</b>	<b>5.09</b>	<b>5.40</b>	<b>5.72</b>	<b>6.05</b>	<b>6.47</b>	<b>6.88</b>
(operating margin)	34.0%	29.0%	24.0%	23.3%	22.5%	21.8%	21.0%	20.5%	19.9%
<b>NOPLAT</b>	<b>4.58</b>	<b>4.28</b>	<b>3.88</b>	<b>4.12</b>	<b>4.37</b>	<b>4.63</b>	<b>4.90</b>	<b>5.24</b>	<b>5.57</b>
+ Depreciation & amortisation	0.06	0.06	0.07	0.07	0.08	0.08	0.09	0.09	0.10
= Net operating cash flow	4.64	4.35	3.96	4.20	4.45	4.72	4.99	5.33	5.67
- Total investments (Capex and WC)	4.43	0.00	-0.89	0.42	0.67	0.66	0.79	-0.60	-0.88
Capital expenditures	-0.07	-0.16	-0.17	-0.18	-0.20	-0.21	-0.23	-0.25	-0.27
Working capital	4.50	0.16	-0.72	0.61	0.87	0.87	1.02	-0.35	-0.61
= Free cash flow (FCF)	9.06	4.35	3.07	4.62	5.12	5.37	5.78	4.74	4.79
<b>PV of FCF's</b>	<b>8.63</b>	<b>3.69</b>	<b>2.31</b>	<b>3.11</b>	<b>3.06</b>	<b>2.86</b>	<b>2.74</b>	<b>2.00</b>	<b>1.80</b>
PV of FCFs in explicit period	30.20								
PV of FCFs in terminal period	21.37								
<b>Enterprise value (EV)</b>	<b>51.57</b>								
+ Net cash / - net debt (31 March 2022)	6.72								
+ Investments / - minorities	-13.93								
<b>Shareholder value</b>	<b>44.36</b>								
<b>Number of shares (m)</b>	<b>2.54</b>								
		<b>Terminal EBIT margin</b>							
<b>WACC</b>	<b>12.3%</b>	<b>16.9%</b>	<b>17.9%</b>	<b>18.9%</b>	<b>19.9%</b>	<b>20.9%</b>	<b>21.9%</b>	<b>22.9%</b>	
Cost of equity	12.3%	8.3%	9.3%	10.3%	11.3%	12.3%	13.3%	14.3%	15.3%
Pre-tax cost of debt	6.0%	29.82	25.74	22.63	20.19	18.21	16.58	15.21	14.05
Normal tax rate	19.0%	30.84	26.55	23.29	20.73	18.67	16.97	15.54	14.33
After-tax cost of debt	4.9%	31.86	27.37	23.96	21.28	19.13	17.36	15.88	14.62
Share of equity	100.0%	32.88	28.18	24.62	21.83	19.59	17.75	16.21	14.90
Share of debt	0.0%	33.90	29.00	25.29	22.38	20.05	18.14	16.54	15.19
<b>Fair value per share in PLN</b>	<b>17.44</b>	34.92	29.81	26.62	23.48	20.97	18.92	17.21	15.76
<b>Fair value per share in PLN (in 12 months)</b>	<b>19.59</b>								

Source: East Value Research GmbH

## Peer Group Analysis

We have used two peer groups: One with listed Polish gaming companies that produce games for PCs and consoles and one with the largest international companies from the sector.

Local peers:

- (1) *CD Projekt S.A.*: CD Projekt, which is based in Warsaw, is the developer of the well-known AAA role-playing game franchises "The Witcher" (the whole series has so far sold >65m copies worldwide; "The Witcher 3" has an average rating of 97/100 on steampowered.com) and "Cyberpunk 2077" (77/100). The company is also the owner of one of the most popular online distribution platforms for especially older games, GOG.com. In 2021, CD Projekt S.A. generated revenues of PLN 888.2m and a ROCE of 11.3%.
- (2) *PlayWay S.A.*: PlayWay, which is based in Warsaw, is a developer and publisher of lower budget simulation games for PCs and consoles. It is organised as a federation of different game development studios, of which many are themselves listed (incl. Movie Games). The PlayWay Group's most popular franchises include "Car Mechanic Simulator" (the latest version has an average rating of 95/100 on steampowered.com) and "House Flipper" (93/100). In 2021, PlayWay generated revenues of PLN 234.1m and a ROCE of 22.2%.
- (3) *Creepy Jar S.A.*: Creepy Jar, which is based in Warsaw, is a game developer and publisher of shooter games with roots in one of the largest Polish gaming companies Techland S.A. Currently, the company's only game is "Greenhell" (avg. rating of 87/100 on steampowered.com). In 2021, Creepy Jar generated revenues of PLN 46.1m and a ROCE of 38.7%.
- (4) *CI Games S.A.*: CI Games is based in Warsaw. Its most important shooter franchises are "Sniper: Ghost Warrior" (the latest version of the game called "Sniper: Ghost Warrior Contracts 2" has an average rating of 84/100 on steampowered.com) and "Lords of the Fallen" (59/100). In 2021, CI Games generated revenues of PLN 105.5m and a ROCE of 24.1%.
- (5) *11bit Studios*: 11bit Studios, which is based in Warsaw, is one of the largest Polish developers and publishers. Its most important franchises include the Indie games "Frostpunk" (avg. rating of 91/100 on steampowered.com), "This War of Mine" (94/100) and "Children of Morta" (91/100). In 2021, 11bit Studios generated revenues of PLN 70.1m and a ROCE of 11.8%.

## International peers:

- (6) *Electronic Arts Inc.*: Electronic Arts, which is headquartered in Redwood City/US, is the second-largest developer and publisher of games for various platforms worldwide. Its most successful franchises include e.g. the free-to-play shooter game "Apex Legends" (it has an average rating on steampowered.com of 86/100), the role-playing game "Star Wars" (the latest version has an average rating of 71/100), the shooter game "Battlefield" (29/100), the action game "Need for Speed" (85/100) and the sport games FIFA (80/100) and Madden NFL (57/100). EA also operates a proprietary online distribution platform called Origin, which also contains games of external developers. In fiscal-year 2021, EA generated revenues of USD 7bn and a ROCE of 9.7%.
- (7) *Activision Blizzard Inc.*: Activision Blizzard, which is based in Santa Monica/US, is the largest developer and publisher of games for various platforms worldwide. Its most successful franchises include "Call of Duty" (latest version has an average rating on steampowered.com of 64/100), "World of Warcraft" (average metacritic.com score for the latest version is 79/100), "Candy Crush" (78/100), "Overwatch" (91/100) and "Diablo" (88/100). In fiscal-year 2021, Activision Blizzard generated revenues of USD 8.8bn and a ROCE of 11.6%.
- (8) *Take-Two Interactive Software Inc.*: Take-Two Interactive, which is based in New York/US, is one of the largest gaming companies worldwide with a portfolio of games covering different genres and available for various platforms. The company's most important franchises include among others the RPG "Red Dead Redemption" (latest version has an average rating of 88/100 on steampowered.com), the action game "Grand Theft Auto" (77/100), the sports game "NBA 2K" (57/100) and the strategy game "Sid Meier's Civilization" (83/100). In fiscal-year 2021, Take-Two Interactive generated revenues of USD 3.5bn and a ROCE of 9.7%.
- (9) *Ubisoft Entertainment SA*: Ubisoft, which is based in Saint-Mande/France, is the largest European game developer known for the following franchises: the role-playing game "Assassin's Creed" (latest version has an average rating of 89/100 on steampowered.com), the first-person shooter "Tom Clancy's Rainbow Six Siege" (87/100), the action game "Watch Dogs" (83/100) and the music game "Just Dance" (78/100). In fiscal-year 2021, Ubisoft Entertainment generated revenues of EUR 2.1bn and a ROCE of 7.5%.

Company	EV/Sales		EV/EBITDA		P/BVPS	EBITDA margin	Net gearing
	2021	2022E	2021	2022E	Latest	Last FY	Latest
CD Projekt S.A. (PLN)	8.87x	9.13x	27.97x	20.24x	4.55x	31.70%	-53.02%
PlayWay S.A. (PLN)	7.83x	6.87x	11.94x	11.34x	4.53x	65.59%	-63.08%
Creepy Jar S.A. (PLN)	7.19x	7.73x	10.43x	11.02x	5.08x	68.92%	-88.40%
CI Games S.A. (PLN)	2.65x	4.87x	6.34x	8.49x	2.24x	41.73%	-21.63%
11bit Studios (PLN)	-0.55x	-0.78x	-0.99x	-2.76x	0.30x	55.54%	-48.82%
<b>Median</b>	<b>7.19x</b>	<b>6.87x</b>	<b>10.43x</b>	<b>11.02x</b>	<b>4.53x</b>	<b>55.54%</b>	<b>-53.02%</b>
Movie Games S.A. (PLN)	4.42x	4.36x	59.64x	12.70x	1.57x	7.42%	17.34%
<b>Premium/Discount</b>	<b>-38.5%</b>	<b>-36.5%</b>	<b>471.7%</b>	<b>15.2%</b>			
<b>Fair value per share Movie Games (PLN)</b>	<b>27.11</b>						

Company	EV/Sales		EV/EBITDA		P/BVPS	EBITDA margin	Net gearing
	2021	2022E	2021	2022E	Latest	Last FY	Latest
Electronic Arts Inc. (USD)	5.20x	4.53x	22.24x	12.64x	4.87x	23.37%	-10.90%
Activision Blizzard Inc. (USD)	6.23x	6.92x	15.88x	17.05x	3.50x	39.21%	-42.21%
Take-Two Interactive Inc. (USD)	5.20x	2.84x	25.18x	14.54x	5.39x	20.66%	-60.42%
Ubisoft Entertainment SA (EUR)	2.67x	2.41x	9.83x	5.22x	2.80x	27.18%	34.14%
<b>Median</b>	<b>5.20x</b>	<b>3.68x</b>	<b>19.06x</b>	<b>13.59x</b>	<b>4.19x</b>	<b>25.28%</b>	<b>-26.56%</b>
Movie Games S.A. (PLN)	4.42x	4.36x	59.64x	12.70x	1.57x	7.42%	17.34%
<b>Premium/Discount</b>	<b>-14.9%</b>	<b>18.4%</b>	<b>213.0%</b>	<b>-6.5%</b>			
<b>Fair value per share Movie Games (PLN)</b>	<b>21.24</b>						

**Average peer group based FV** **24.17**

Source: CapitalIQ, bankier.pl, East Value Research GmbH

### Price target calculation

Valuation method	Fair value	Weight
DCF model	17.44	80%
Peer-group-based fair value	24.17	20%
<b>Weighted average (present value)</b>	<b>18.79</b>	
<b>In 12-months (PV * (1+WACC))</b>	<b>21.10</b>	

Source: East Value Research GmbH



## Profit and loss statement

in PLNm	2020	2021	2022E	2023E	2024E	2025E
<b>Revenues</b>	<b>10.89</b>	<b>16.41</b>	<b>16.63</b>	<b>18.23</b>	<b>19.98</b>	<b>21.90</b>
Cost of goods sold	-4.01	-11.30	-6.65	-8.20	-9.99	-11.12
<b>Gross profit</b>	<b>6.88</b>	<b>5.10</b>	<b>9.98</b>	<b>10.03</b>	<b>9.99</b>	<b>10.77</b>
Other operating income	0.01	0.00	0.00	0.00	0.00	0.00
Personnel costs	-1.88	-3.53	-3.89	-4.28	-4.70	-5.17
Other operating expenses	-0.91	-0.35	-0.38	-0.40	-0.42	-0.43
<b>EBITDA</b>	<b>4.10</b>	<b>1.22</b>	<b>5.71</b>	<b>5.35</b>	<b>4.87</b>	<b>5.17</b>
Depreciation	-0.02	-0.05	-0.06	-0.06	-0.07	-0.07
<b>Operating income</b>	<b>4.08</b>	<b>1.17</b>	<b>5.65</b>	<b>5.29</b>	<b>4.79</b>	<b>5.09</b>
Net financial result	6.47	13.09	12.00	7.50	5.00	3.00
Gain/Loss from at-equity investments	0.52	0.12	0.00	0.00	0.00	0.00
<b>EBT</b>	<b>11.07</b>	<b>14.32</b>	<b>17.65</b>	<b>12.79</b>	<b>9.79</b>	<b>8.09</b>
Income taxes	-2.21	-3.15	-3.35	-2.43	-1.86	-1.54
Minorities	0.13	1.16	0.96	0.76	0.56	0.36
<b>Net income / loss</b>	<b>8.99</b>	<b>12.33</b>	<b>15.26</b>	<b>11.12</b>	<b>8.49</b>	<b>6.91</b>
EPS	3.49	4.79	5.93	4.32	3.30	2.69
DPS	0.00	1.00	1.19	0.86	0.66	0.54
<b>Share in total sales</b>						
Revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-36.80 %	-68.89 %	-40.00 %	-45.00 %	-50.00 %	-50.80 %
Gross profit	63.20 %	31.11 %	60.00 %	55.00 %	50.00 %	49.20 %
Other operating income	0.11 %	0.01 %	0.01 %	0.01 %	0.01 %	0.01 %
Personnel costs	-17.26 %	-21.54 %	-23.38 %	-23.46 %	-23.55 %	-23.63 %
Other operating expenses	-8.37 %	-2.16 %	-2.28 %	-2.19 %	-2.10 %	-1.98 %
EBITDA	37.67 %	7.42 %	34.35 %	29.36 %	24.36 %	23.59 %
Depreciation	-0.18 %	-0.28 %	-0.35 %	-0.36 %	-0.36 %	-0.34 %
Operating income	37.50 %	7.14 %	34.00 %	29.00 %	24.00 %	23.25 %
Net financial result	59.48 %	79.80 %	72.15 %	41.14 %	25.03 %	13.70 %
Gain/Loss from at-equity investments	4.74 %	0.73 %	0.00 %	0.00 %	0.00 %	0.00 %
EBT	101.70 %	87.30 %	106.15 %	70.14 %	49.03 %	36.95 %
Income taxes	-20.32 %	-19.21 %	-20.17 %	-13.33 %	-9.32 %	-7.02 %
Minorities	1.18 %	7.08 %	5.78 %	4.17 %	2.81 %	1.65 %
Net income / loss	82.56 %	75.17 %	91.76 %	60.99 %	42.52 %	31.58 %

## Balance sheet

in PLNm	2020	2021	2022E	2023E	2024E	2025E
Cash and equivalents	8.86	10.42	24.04	31.38	36.24	41.56
Short-term financial assets	0.00	0.28	0.29	0.30	0.30	0.31
Inventories	5.81	10.69	5.56	5.96	6.17	5.65
Trade accounts and notes receivables	0.37	2.99	2.73	2.67	2.57	2.43
Other current assets	2.19	9.69	9.89	10.08	10.29	10.49
<b>Current assets, total</b>	<b>17.23</b>	<b>34.07</b>	<b>42.51</b>	<b>50.39</b>	<b>55.56</b>	<b>60.43</b>
Property, plant and equipment	0.03	0.14	0.14	0.14	0.14	0.14
Other intangible assets	0.00	0.93	0.94	1.03	1.13	1.24
Goodwill	0.03	0.24	0.24	0.24	0.24	0.24
Other long-term assets	1.01	1.55	1.58	1.61	1.64	1.68
Deferred tax assets	0.00	0.04	0.00	0.00	0.00	0.00
<b>Non-current assets, total</b>	<b>1.07</b>	<b>2.89</b>	<b>2.90</b>	<b>3.02</b>	<b>3.15</b>	<b>3.30</b>
<b>Total assets</b>	<b>18.30</b>	<b>36.97</b>	<b>45.41</b>	<b>53.41</b>	<b>58.72</b>	<b>63.73</b>
Trade payables	0.33	1.09	0.38	1.04	0.60	0.72
Other short-term liabilities	0.18	1.21	1.24	1.26	1.29	1.31
Short-term financial debt	0.00	0.58	0.00	0.00	0.00	0.00
Pension provision	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	0.06	0.06	0.07	0.07	0.08
<b>Current liabilities, total</b>	<b>0.51</b>	<b>2.95</b>	<b>1.68</b>	<b>2.37</b>	<b>1.96</b>	<b>2.11</b>
Long-term financial debt	0.00	0.20	0.00	0.00	0.00	0.00
Pension provision	0.00	0.00	0.00	0.00	0.00	0.00
Other long-term liabilities	0.00	0.06	0.06	0.06	0.07	0.07
Deferred tax liabilities	0.98	1.81	0.00	0.00	0.00	0.00
<b>Long-term liabilities, total</b>	<b>0.98</b>	<b>2.07</b>	<b>0.06</b>	<b>0.06</b>	<b>0.07</b>	<b>0.07</b>
<b>Total liabilities</b>	<b>1.49</b>	<b>5.02</b>	<b>1.73</b>	<b>2.43</b>	<b>2.03</b>	<b>2.19</b>
<b>Shareholders equity, total</b>	<b>15.12</b>	<b>28.00</b>	<b>40.69</b>	<b>48.76</b>	<b>55.03</b>	<b>60.24</b>
Minority interests	1.69	3.94	2.98	2.22	1.66	1.30
<b>Total equity and debt</b>	<b>18.30</b>	<b>36.97</b>	<b>45.41</b>	<b>53.41</b>	<b>58.72</b>	<b>63.73</b>

## Cash Flow Statement

in PLNm	2020	2021	2022E	2023E	2024E	2025E
Net income / loss	8.99	12.33	15.26	11.12	8.49	6.91
Depreciation	0.02	0.05	0.06	0.06	0.07	0.07
Change of working capital	-2.11	-5.74	4.50	0.16	-0.72	0.61
Others	-6.52	-12.77	1.77	-0.01	-0.01	-0.01
<b>Net operating cash flow</b>	<b>0.38</b>	<b>-6.13</b>	<b>21.59</b>	<b>11.34</b>	<b>7.84</b>	<b>7.59</b>
<b>Cash flow from investing</b>	<b>1.70</b>	<b>1.27</b>	<b>-0.07</b>	<b>-0.16</b>	<b>-0.17</b>	<b>-0.18</b>
Free cash flow	2.08	-4.85	21.52	11.18	7.67	7.41
<b>Cash flow from financing</b>	<b>6.13</b>	<b>6.41</b>	<b>-7.90</b>	<b>-3.84</b>	<b>-2.81</b>	<b>-2.08</b>
Change of cash	8.21	1.56	13.62	7.34	4.86	5.32
Cash at the beginning of the period	0.65	8.86	10.42	24.04	31.38	36.24
Cash at the end of the period	8.86	10.42	24.04	31.38	36.24	41.56

## Financial ratios

	2020	2021	2022E	2023E	2024E	2025E
<b>Profitability and balance sheet quality</b>						
Gross margin	63.20%	31.11%	60.00%	55.00%	50.00%	49.20%
EBITDA margin	37.67%	7.42%	34.35%	29.36%	24.36%	23.59%
EBIT margin	37.50%	7.14%	34.00%	29.00%	24.00%	23.25%
Net margin	82.56%	75.17%	91.76%	60.99%	42.52%	31.58%
Return on equity (ROE)	81.42%	57.20%	44.43%	24.86%	16.37%	12.00%
Return on assets (ROA)	13.73%	-2.05%	7.18%	6.77%	5.95%	6.14%
Return on capital employed (ROCE)	18.37%	2.69%	10.47%	8.39%	6.84%	6.69%
Economic Value Added (in PLNm)	1.08	-3.28	-0.81	-2.00	-3.11	-3.47
Net debt (in PLNm)	-8.86	-9.63	-24.04	-31.38	-36.24	-41.56
Net gearing	-58.60%	-34.41%	-59.07%	-64.35%	-65.85%	-68.99%
Equity ratio	82.62%	75.75%	89.61%	91.28%	93.72%	94.53%
Current ratio	33.59	11.55	25.32	21.24	28.35	28.60
Quick ratio	17.98	4.64	16.12	14.48	19.95	20.96
Net interest cover	0.63	0.09	0.47	0.70	0.96	1.70
Net debt/EBITDA	-2.16	-7.92	-4.21	-5.86	-7.45	-8.04
Tangible BVPS	5.87	10.79	15.72	18.86	21.29	23.32
Capex/Sales	0.54%	7.88%	0.44%	0.86%	0.86%	0.84%
Working capital/Sales	72.19%	128.05%	99.27%	89.70%	85.44%	75.18%
Cash Conversion Cycle (in days)	511	376	331	285	240	194
<b>Trading multiples</b>						
EV/Sales	6.67	4.42	4.36	3.98	3.63	3.31
EV/EBITDA	17.69	59.64	12.70	13.56	14.91	14.05
EV/EBIT	17.78	61.96	12.83	13.73	15.13	14.25
P/Tangible BVPS	4.33	2.35	1.62	1.35	1.19	1.09
P/E	7.27	5.30	4.28	5.88	7.69	9.45
P/FCF	31.43	-13.46	3.04	5.85	8.52	8.82

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Bundesanstalt für Finanzdienstleistungsaufsicht  
Lurgiallee 12  
60439 Frankfurt